BIENNIAL BUDGETING

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PREFACE

Should the Congress prepare a budget every two years rather than every year, as it does now? This proposed reform, known as biennial budgeting, has received increased attention in recent years. The Congressional Budget Office (CBO) prepared this paper in response to numerous inquiries about the subject.

The paper is divided into four chapters. The first provides background information on the annual character of the current process and a history of proposals to convert to multiyear budgeting. The second chapter describes three bills that reflect different approaches to biennial budgeting. The experiences of the states and of other countries with biennial budgeting are related in the third chapter. The concluding chapter analyzes the potential effects of converting from annual to biennial budgeting.

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SUMMARY

Biennial budgeting is the practice of preparing and adopting budgets for two-year periods. Nine bills to convert to biennial budgeting have been introduced in the 100th Congress.

The central rationale for biennial budgeting is that it would improve the efficiency of the Congressional budget process. Frustration with the current process is high: it is time-consuming, target dates are often missed, and repetitive decisions are made. The solution to these problems, according to proponents of biennial budgeting, is to prepare one budget instead of two over a two-year period. Having fewer budgets could reduce the delay and repetition that plague the current budget process, and could free time for other activities.

Two biennial budgeting approaches have been proposed--the "stretch" and "split-sessions" models. The stretch model would have the Congress prepare a budget for the biennium (the two-year fiscal period) over the two years of a Congress. The split-sessions model would have the Congress prepare a biennial budget during one year and conduct nonbudgetary activities in the other. The bills that take this approach begin the biennium on October 1 of either the odd year (the first year of a Congress) or the even year (the second year of a Congress). The stretch model would begin the biennium on October 1 of the even year.

Few statements can be made with much certainty about the effects of a conversion to biennial budgeting, except that this would be a radical change from the current process. Despite the permanence of much government spending, the process of formulating, enacting, and executing budgets is characteristically annual.

One way that biennial budgeting would depart significantly from current practices would be its restriction of certain activities to specified periods. Under the split-sessions model, the Congress is expected to forgo revising the budget during the nonbudgetary year. The pressure to revise the budget would often be strong, however, and no rules of the Congress exist that would prevent it from doing so. With split sessions, moreover, the specialized roles of the Budget, Appropriations, and oversight committees might leave these committees with significant periods of inactivity.

The stretch model assumes that having a longer period for making budgetary decisions will make missing target dates less likely. The accuracy of this assumption is questionable. Delay is probably inherent to budgeting because of the important decisions that are made in this comprehensive process. In addition, differences over budgetary goals between the Congress and the President, and between the House and the Senate, have been important causes of missed target dates. Biennial budgeting is likely to make it even more difficult to reach compromises over major policy differences, because the stakes will be higher with a two-year budget than with a one-year budget.

Expanding the horizon of the budget by a year will undoubtedly increase errors in budget projections, but the extent of this increase is uncertain. Deficit projection errors caused by economic forecast errors would likely be slightly larger for a biennial than for an annual budget. Deficit projection errors from inaccuracies in technical assumptions, while impossible to predict reliably, could be smaller for a biennial than for an annual budget.

Given that the Congress copes with a substantial amount of uncertainty now, the increase attributable to biennial budgeting might be bearable. In addition, the Congress could compensate for increased uncertainty by changing some of its current goals and procedures. It could accept the unpredictability of the economy, refraining from attempts to "fine-tune" spending and taxing in order to hit specific deficit or economic growth targets. When funding individual programs, it could adopt procedures that would reduce the demand for supplemental appropriations and rescissions.

The experiences of other governments suggest, however, that added uncertainty may at times be quite costly. Most states are subject to effective limits on spending and borrowing, and complying with these limits has become more difficult with the growing uncertainty of revenue streams. This problem is one reason why the states have moved away from biennial budgeting--44 states used biennial budgeting in 1940, but only 19 do now. Many of the remaining biennial states have made major budget revisions in the off-years because of impending deficits. Biennial budgeting is infrequently used in other countries. No developed democracies currently practice biennial budgeting, and developing countries are encouraged to budget annually by multinational creditors.

Finally, biennial budgeting could limit cooperation between the Executive and Legislative Branches by reducing their frequency of interaction. Cooperation might not decrease significantly were the Congress to use fully the time allocated for oversight activities. This would be consistent with the increasing use of oversight in recent years. Using oversight in place of appropriations might also improve the ability of the Congress to understand problems and monitor the Executive Branch.

This course would reduce the amount of influence that the Congress could exercise annually, however. The "must-pass" character of appropriations requires the Executive Branch to negotiate in good faith and to conform to previously enacted law. Therefore, forgoing annual appropriations would mean that the Congress would periodically do without its most coercive tool. In the absence of annual appropriation controls, the Congress might respond by writing legislation more restrictively for agencies that it did not trust. By eliminating agencies' flexibility, these "micromanagement" provisions could force them to act inefficiently. Yet, since it would often be difficult for the Congress to anticipate future conditions, agencies would probably be left with greater discretion than they currently enjoy.

In sum, this analysis suggests that biennial budgeting might not live up to expectations unless the Congress substantially changes its goals and behavior. It would have to accept increased uncertainty about budget outcomes, a reduced ability to be responsive to immediate concerns, and less influence from use of the appropriation process. If these changes were accepted, the Congress could reduce the number of repetitive votes on budget issues, and spend more time on policy planning and oversight. Biennial budgeting could also allow agencies and grantees to spend money more efficiently. But it would not eliminate the delays that come from negotiating important budget decisions.

If the Congress does not wish to change as radically as biennial budgeting would require, it could implement biennial budgeting selectively--for technically predictable and politically stable programs, for example. Although some flexibility might be lost by these actions, the Congress could compensate by subjecting currently mandatory programs to more frequent reviews.

CHAPTER I. BACKGROUND

In this paper, budgeting is defined as the consideration of budget resolutions, appropriation bills, and the portions of authorization bills that authorize or limit spending. Annual budgeting has been the general practice in the federal government. Interest in biennial budgeting has increased, however, and a number of multiyear budgeting reforms have been considered or adopted in recent years.

Annual Appropriations and Authorizations

Appropriations have been made annually since the 1st Congress, and with the adoption of the Budget and Accounting Act in 1921, the President was required to present appropriation requests at the beginning of each calendar year. The Congress routinely considers at least 14 appropriation bills (13 regular and 1 supplemental) each year.

The schedule for considering appropriation bills should not be confused with the time periods for which appropriations are made available. In the early years of the republic, most appropriations were available to an agency for only one year. The Congress now makes most appropriations available for periods longer than a year. In fiscal year 1985, 53 percent of appropriations were permanent in law. The remaining 47 percent were made through the annual appropriation process. Of these annual appropriations (excluding discretionary appropriations for the legislative and judicial branches and the Executive Office of the President), only about one-half (or one-quarter of all appropriations) were made available for only the upcoming budget year. The remainder were multiyear, no-year, or advance appropriations. 1/ Thus, while budgeting decisions are made annually, the availability of budgeted funds covers various time periods.

Annual authorization of appropriations is currently a regular practice, but this was not the case three decades ago. Before 1959, only military construction, foreign aid, and the Atomic Energy Commission were authorized annually. With the passage of annual authorizations for the National Aeronautics and Space Administration and military

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1. Multiyear appropriations are available for spending over several specified years; no-year appropriations are available until spent; and advance appropriations are available beginning in the fiscal year succeeding the year for which the appropriation bill is passed. Data compiled from OMB tapes by Allen Schick, *Crisis in the Budget Process* (Washington, D.C.: American Enterprise Institute, 1986), pp. 47-49.

procurement in 1959, the Congress began to rely on annual authorizations to increase its control of the Executive Branch. Annual authorizations also served the authorizing committees by enabling them to participate in budgetary decisions as frequently as the appropriations committees. By the 1970s, authorizations for the majority of discretionary appropriations were being considered annually, including authorizations for all defense and intelligence agencies, the Peace Corps, the Coast Guard, the National Science Foundation, the Department of Energy, the Department of Justice, and research and development for the Environmental Protection Agency. Not all of the annual authorizations have been enacted in each year, however. In 1987, for example, only a fifth of the nondefense discretionary appropriations that are frequently authorized annually were in fact authorized. 2/ And like multiyear appropriations in annual appropriation bills, some authorizations enacted in annual authorization bills lasted for more than one year. Authorizations for specific military construction projects, for example, were routinely for two years.

The Congressional Budget Act of 1974

The schedule for considering authorizations and appropriations was of major interest during deliberations over the Congressional Budget Act. Two problems were thought to be most serious--the Congress routinely failed to pass appropriations before the beginning of the fiscal year, and the Congress often failed to pass authorizations until the beginning of the fiscal year was near, allowing little time for the appropriation process. The Congressional Budget Act included several provisions that were intended to reduce these delays. First, authorizations were scheduled for early consideration. Section 607 asked that the President submit requests for reauthorizations by May 15 of the year preceding the year in which the authorization would begin. 3/ This section also asked the President to submit multiyear authorization requests for new programs. Section 402 established a point of order against considering authorizations that had not been reported by May 15. This provision was intended to speed up consideration of authorizations. The same May 15 date was used as a target for completion of the first budget resolution, and Section 303 established a point of order against considering any bill providing new budget authority before the first budget

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2. CBO data show that although 15.2 percent of nondefense discretionary appropriations were subject to annual authorization, only 3.2 percent were authorized in 1987. Only 10 annual authorization bills were enacted out of the 19 bills that are routinely considered on an annual basis.

3. This provision has never been successfully carried out.

resolution was adopted. Action on appropriations was intended to be completed by seven days after Labor Day, before the beginning of the fiscal year, which was changed to October 1.

Other multiyear provisions in the Budget Act required the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) to make five-year budget projections, and CBO to provide five-year cost estimates and scorekeeping reports for authorizing legislation and bills providing new budget authority, respectively. In subsequent years, the budget resolutions themselves were expanded to include multiyear projections. The first resolution for fiscal year 1980 included two years of out-year projections for the budgetary aggregates, though separate projections were made for the Senate and the House. By the first resolution for fiscal year 1982, the same projections were made for spending by budget function in both the House and the Senate. Although it has been suggested that multiyear projections be converted into targets that would be subject to the Budget Act's enforcement provisions, this extension of the act has not been adopted by the Congress.

The broader approach of biennial budgeting received little attention during the formulation of the act. Senator Bellmon proposed that each Congress be divided into a budgetary session and a legislative (nonbudgetary) session. Senator Nunn and Congressman Conyers separately proposed that appropriations and authorizations be considered on a staggered basis, with one-half of each being enacted each year. Only one proposal was put into the form of draft legislation. Senators Mondale and Javits proposed biennial budgeting in an amendment (# 601) to S. 1541, the bill being considered by the Senate Government Operations Committee, but the amendment was not accepted by the committee.

Increased Interest in Biennial Budgeting

The first biennial budgeting bill was introduced by Congressman Panetta in 1977. 4/ This bill was reintroduced in 1979, and Senator Bumpers introduced another biennial budgeting bill in the same year. The bills were reintroduced in 1981, and other biennial bills were introduced in 1981 and 1982 by Senators Ford, Quayle, Roth, and Coch-

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4. A list of biennial budgeting bills from 1977 to the present is contained in the appendix of Michael D. Margeson and James Saturno, "Congressional Approaches to Biennial Budgeting" (Congressional Research Service, July 27, 1987), pp. 19-21.

ran. Hearings were held in these years by the Senate Governmental Affairs Committee and the House and Senate Budget Committees. 5/

Biennial budgeting was also considered from 1982 to 1984 by the Task Force on the Budget Process, chaired by Congressman Beilenson of the House Rules Committee. The task force considered four alternative proposals for reform of the budget process:

- The single binding resolution approach, which would have codified the procedural changes made to the budget process during its first decade, such as reconciliation after the first budget resolution.

- The target resolution approach, which was similar to the original process established by the Congressional Budget Act.

- The omnibus budget bill approach, which proposed that all appropriation bills, revenue bills, and reconciliation of direct spending be considered in one bill.

- The biennial budgeting approach.

The task force recommended the single binding resolution approach. It commented as follows on biennial budgeting:

> **Biennial budgeting.** The task force considered the possibility of stretching over a two-year period the entire process--budget resolution, appropriations bills, and authorizations--in order to lighten Congress' annual workload and provide additional time for other important activities, such as oversight. There were two leading arguments against a two-year system: one was that it did not seem feasible to adopt a budget resolution for a two-year period, given the rapidness with which political and economic circumstance change. The other was concern about having one Congress make decisions that could be binding through a subsequent Congress. Furthermore, several variations of biennial bud-

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5. See Senate Committee on Governmental Affairs, "Review of the Congressional Budget and Impoundment Control Act of 1974" (October 6 and 29, 1981) and "Budget Reform Act of 1982" (August 19, 1982); House Budget Committee, "Budget Process Review" (September 14, 1982); and Senate Budget Committee, "Proposed Improvements in the Congressional Budget Act of 1974" (September 14, 16, 21, and 23, 1982).

geting have been proposed, and there is no consensus on which version would be the most practicable.

> The task force does endorse providing authorizations for periods of two or more years, as noted above. The task force also encourages the Government [sic: should be "General"] Accounting Office and the Office of Management and Budget to study the feasibility of placing some annually financed programs on two-year funding. Such studies would give Congress a better basis for determining whether it should move to a biennial budget system in the future. 6/

The task force also recommended that committees report more multi-year and advance authorizations, and strongly favored dropping the May 15 reporting deadline for authorizations, believing it had proved ineffective. Furthermore, it wanted to allow consideration of appropriations after May 15 even if the budget resolution had not been adopted.

These and other recommendations made by the task force were accepted by the Rules Committee, and many of them were included in the Balanced Budget and Emergency Deficit Control Act of 1985 (popularly known as Gramm-Rudman-Hollings). In particular, the timetable for considering the budget was accelerated. The President's budget submission was moved up to January 3 and the Views and Estimates reports from committees to February 25. The budget resolution was to be enacted by April 15, reconciliation by June 15, and appropriations by June 30 in the House. 7/

In the Senate, the 1984 Temporary Select Committee to Study the Senate Committee System, chaired by Senator Quayle (a cosponsor of Senator Ford's bill), recommended that a select committee be established to study the feasibility of biennial budgeting. In 1985, Senator Quayle proposed an amendment to the fiscal year 1986 legislative branch appropriation bill to establish such a committee, but withdrew the amendment after Senator Domenici offered to hold joint Budget Committee and Governmental Affairs hearings on budget process

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6. Task Force on the Budget Process of the House Committee on Rules, "Recommendations to Improve the Congressional Budget Process" (May 1984), p. 24.

7. See House Committee on Rules, "Congressional Budget Act Amendments of 1984," Report 98-1152 (October 1984); and Robert A. Keith, "Changes in the Congressional Budget Process Made by the 1985 Balanced Budget Act (P.L. 99-177)" (Congressional Research Service, May 23, 1986).

reform. 8/ With the passage of the Balanced Budget Act, however, attention shifted away from biennial budgeting and the hearings were never held.

The Experiment of Budgeting Biennially for Defense

The most significant move toward biennial budgeting has been the adoption in 1985 of the Nunn-McCurdy amendment to the fiscal year 1986 defense authorization bill (Public Law 99-145). This amendment is reprinted below.

> SEC. 1405. TWO-YEAR BUDGET CYCLE FOR THE DEPARTMENT OF DEFENSE
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> (a) FINDINGS. The Congress finds that the programs and activities of the Department of Defense could be more effectively and efficiently planned and managed if funds for the Department were provided on a two-year cycle rather than annually.
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> (b) REQUIREMENT FOR TWO-YEAR BUDGET PROPOSAL. The President shall include in the budget submitted to the Congress pursuant to section 1105 of title 31, United States Code, for fiscal year 1988 a single proposed budget for the Department of Defense and related agencies for fiscal years 1988 and 1989. Thereafter, the President shall submit a proposed two-year budget for the Department of Defense and related agencies every other year.
>
> (c) REPORT. Not later than April 1, 1986, the Secretary of Defense shall submit to the Committees on Armed Services and on Appropriations of the Senate and House of Representatives a report containing the Secretary's views on the following:
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> (1) The advantages and disadvantages of operating the Department of Defense and related agencies on a two-year budget cycle.
>
> (2) The Secretary's plans for converting to a two-year budget cycle.

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8. See *Congressional Record*, July 31, 1985, S10557-10562.

(3) A description of any impediments (statutory or otherwise) to converting the operations of the Department of Defense and related agencies to a two-year budget cycle beginning with fiscal year 1988.

The Nunn-McCurdy amendment for a biennial budget was at first wholeheartedly embraced by the Department of Defense. Biennial budgeting for defense received additional endorsements from the President's Blue Ribbon Commission on Defense Management (the Packard Commission), the Center for Strategic and International Studies, and the Heritage Foundation. The President's fiscal year 1988 budget included separate appropriation requests for fiscal years 1988 and 1989 for accounts in the national defense function.

Biennial budgeting for defense does not now have unqualified support, however, as several of its initial proponents have backed away from rapid implementation. In its April 1, 1986, report to the Congress that was mandated by Public Law 99-145, the Department of Defense stated:

> It is important to note that, although many have expressed support for the general concept of biennial budgeting, the concept has not been adequately defined. If not done carefully, it is conceivable that the transition of this idea to implementation may yield a process that would be unsatisfactory to everyone. This is particularly true in view of the current Gramm-Rudman-Hollings legislation that injects an element of uncertainty in the budget process, be it for one or two years' duration. The benefits that may be envisioned through biennial budgeting are perhaps obviated by the threat of Gramm-Rudman-Hollings imposed reductions.

In the Congress, Senator Nunn wrote the Senate Budget Committee on February 24, 1987 to explain that:

> The [Armed Services] Committee is recommending a National Defense spending level only for fiscal year 1988 because the President's FY1988 Budget fails to meet the Gramm-Rudman deficit targets after FY1988. The Defense Department submitted a credible two-year budget for FY1988 and FY1989 as part of its FY1988-92 Five Year Defense Plan. Our Committee strongly supports the concept of shifting to a two-year budget. Unfortunately, the President has not told Congress how he plans to pay for his proposed level of Defense spending after FY1988 within the Gramm-Rudman deficit targets, making our job of recom-

mending and adopting a two-year Defense budget extremely difficult.

The Senate Armed Services Committee has reported a bill that authorizes about half of the defense budget for two years. The House has passed an annual authorization bill, and the Appropriations Committees are likely to report annual appropriation bills as well. Nonetheless, the Department of Defense is not preparing a new budget for fiscal year 1989. It is planning an "implementation review" of the two-year request in order to prepare budget amendment, supplemental, and rescission requests for fiscal year 1989.

The Current Situation

Dissatisfaction with the current process of budgeting has continued, and biennial budgeting continues to be discussed as a possible solution. 9/ Many Members of Congress have been pressed by the heavy work load that results from the overlapping actions taken during the annual appropriation and authorization processes. They have been embarrassed that the Congress has missed many budget process deadlines, and disappointed with the reliance in 1986 on an omnibus continuing resolution to provide appropriations for fiscal year 1987. 10/ An additional impetus for the revival of interest in biennial budgeting was the Balanced Budget Act's ceiling on the budget year deficit, which gave an incentive to shift outlays from the budget year to the current or future years. Some Members believe that biennial budgeting, with its extension of the budget period to two years, would reduce or limit opportunities for such artificial savings.

The Administration took a small step toward biennial budgeting in the fiscal year 1988 budget by including planning estimates for fiscal year 1989 for nondefense accounts. In testimony before the House Government Operations Committee, OMB Director Miller stated that he would like to expand biennial budget requests to the whole budget. President Reagan has supported biennial budgeting in addresses on

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9. See David C. Morrison, "Chaos on Capitol Hill," *National Journal*, vol. 18, September 27, 1986, pp. 2302-2307; Jonathan Rauch, "Biennal Budgeting Taking Root," *National Journal*, vol. 18, September 27, 1986, pp. 2318-2319; and Alice M. Rivlin, "Taming the Economic Policy Monster," *New York Times*, January 18, 1987, p. F2.

10. Continuing resolutions provide funding for agencies that have not received appropriations in regular appropriation bills. Traditionally enacted for short periods after the beginning of the fiscal year for one or several agencies, continuing resolutions have been enacted in recent years for many agencies and for the balance of the fiscal year.

budget reform, but the Administration has not proposed or endorsed relevant legislation.

The Senate discussed biennial budgeting during consideration of the fiscal year 1988 budget resolution. Senator Roth proposed a sense of the Congress resolution that "the Congress should enact this year a biennial budget and appropriations process." The resolution was tabled by a vote of 53 to 45. 11/ This was followed by inclusion of a biennial budgeting provision in the Balanced Budget Reaffirmation Act (Public Law 100-119). Section 201 stated:

> It is the sense of the Congress that the Congress should undertake an experiment with multiyear authorizations and 2-year appropriations for selected agencies and accounts. An evaluation of the efficacy and desirability of such experiment should be conducted at the end of the 2-year period. The appropriate committees are directed to develop a plan in consultation with the leadership of the House and Senate to implement this experiment.

Senator Roth has introduced a bill reflecting this approach, which would convert the limitation on the administrative expenses of the Social Security Administration to a two-year limitation. 12/

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11. Congressional Record, May 6, 1987, S6010-6013.

12. S. 1563, described in the *Congressional Record*, July 29, 1987, S10861-10862.

CHAPTER II. MAJOR BIENNIAL BUDGETING PROPOSALS OF THE 100TH CONGRESS

Three approaches to biennial budgeting have been proposed in the current Congress. Major bills that represent these approaches are: S. 416, cosponsored by Senators Roth and Domenici; S. 286, sponsored by Senator Ford; and H.R. 22, cosponsored by Congressmen Panetta and Regula. 1/ This chapter compares the bills' major features. Table 1 compares the target dates established by the three bills.

Three other bills contain, among other provisions, language identical to that in H.R. 22: H.R. 33, sponsored by Congressman Daub; H.R. 777, sponsored by Representative Lloyd; and H.R. 805, sponsored by Congressman Penny. Another bill, H.R. 1558, cosponsored by Congressmen Hutto and Lott, is similar in intent to H.R. 22. S. 1362, cosponsored by Senators Kassebaum and Inouye, includes a biennial budget proposal that is similar to S. 416. Finally, S. 832, sponsored by Senator Domenici, is an omnibus budget reform bill that incorporates the text of S. 416.

S. 416

S. 416 bears the closest resemblance to the existing budget process. Budgeting would take place in the first nine months of the first session (odd year) of a Congress, and the biennium would begin on October 1. The bill would delay submission of the President's budget to January 15 and return to the original Congressional Budget Act's dates for the views and estimates reports (March 15) and for reporting and passing the budget resolution (April 15 and May 15, respectively). Appropriation action would be completed in the House by the end of June, and all appropriation bills and the reconciliation bill would be enacted by September 30. The second session of the Congress would be devoted primarily to considering authorizations for the next biennium, though the President would be required to submit a revised budget for the biennium on January 15 of the even year (three and a half months after the beginning of the biennium). If S. 416 were passed, it would take

1. Introductory statements in support of these bills can be found in the *Congressional Record*, January 6, 1987, H23-26 for H.R. 22; January 12, 1987, S601-609 for S. 286; and January 29, 1987, S1321-1333 for S. 416.

TABLE 1. TARGET DATES IN BIENNAL BUDGETING BILLS

Dates	S.416	S.286	H.R.22
11/10		Current services	
	Congress Begins First Session--Odd Year		
1/3			Current services
1/15	President's biennial budget; current services	President's biennial budget	President's biennial budget; oversight begins
2/15	CBO report		
3/15	Views and estimates		
4/15	Budget resolution reported	CBO report	
5/15	Budget resolution completed	Views and estimates	
6/1	Appropriation bills reported in House		
6/15	Appropriation bills completed in House	Budget resolution reported	
6/30	Appropriation bills reported in Senate		Committees complete oversight reports
7/1		Committees report authorizations of new budget authority	Committees begin legislative work
7/31		First budget resolution completed	
9/30	Appropriations and reconciliation finished		
10/1	Biennium begins		
10/31			Views and estimates
11/10			CBO report
11/30			Budget resolution reported

(continued)

TABLE 1. (Continued)

Dates	S.416	S.286	H.R.22
12/1		Congress finishes authorizations of new budget authority	
12/31			Committees report authorizations of new budget buthority
	Congress Begins Second Session -- Even Year		
1/3			Current services
1/15	President's revised budget for biennium	President's revised budget for biennium	President's revised budget for biennium
3/10			Congress finishes authorizations of new budget authority
3/31	CBO report	Spending bills reported in House; CBO report	Budget resolution completed
4/15		Spending bills reported in Senate	Appropriation bills reported
6/15		Second budget resolution reported	
7/15		Congress completes spending bills	
8/1		Second budget resolution completed	
Labor Day plus 7 days			Congress completes spending bills
9/25		Congress completes reconciliation	Congress completes reconciliation
10/1		Biennium begins	Biennium begins
Ad-journ ment	Authorizations of new budget authority for next biennium finished		

SOURCE: Congressional Budget Office.

effect on January 1, 1988. During 1988, the Congress would pass year-ahead authorizations and an annual budget for fiscal year 1989. The first biennial budget would be enacted in 1989. 2/

S. 286

The process set out by S. 286 resembles the original Congressional Budget Act process stretched out over a two-year period. The President would begin the process by submitting a budget on January 15 of the first session (odd year) of a Congress for the biennium beginning on October 1 of the second session (even year). The first year would be devoted to passage of a budget resolution (by the end of July) and the authorization of new budget authority (by December 1). The President would submit a revised budget on January 15. Bills that provided budget and entitlement authority would have to be reported by March 31 in the House and April 15 in the Senate. A second budget resolution would be completed by August 1, and a reconciliation bill might then be necessary and would be scheduled for passage by September 25. One hundred hours of debate would be allowed on a reconciliation bill in the Senate. If S. 286 were passed, it would become effective at the start of the 101st Congress. The bill establishes a transition to a biennial process by having the Congress enact an annual budget for fiscal year 1990 and a biennial budget for fiscal year 1991 and 1992. 3/

H.R. 22

H.R. 22 proposes the greatest departure from the previous or the existing budget process. Like S. 286, it requires the President to submit a budget on January 15 of the first session of a Congress for the

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2. S. 416 also permits amendment of the first budget resolution only if two-thirds of both the House and the Senate agree, and establishes a point of order against violating the Balanced Budget Act's maximum deficit amount for each year in the biennium. It requires reporting of all 13 regular appropriation bills before considering an appropriation bill on the floor, extends CBO cost estimates to six years, and mandates that the account structure of the President's budget be used in all Congressional budget actions.

3. S. 286 requires that the account structure of the President's budget be used in all Congressional budget actions, requires committees to file oversight reports by the beginning of the biennium, and establishes an automatic continuing resolution at the previous rate of operations. In addition, it prohibits reconciliation until after the second resolution and limits reconciliation to changes in entitlement authority, revenues, and the debt limit.

biennium beginning on October 1 of the second session. The Congress would not take any action on the budget for most of the first year, however. The first six months would be reserved for oversight activities. On July 1, committees would begin considering authorizing legislation, and would have to report authorizations of new budget authority by the end of the year. These bills would have to be enacted by the following March 10.

Preparation of the budget resolution would begin with the submission of views and estimates reports by October 31. After receiving a Congressional Budget Office report on November 10, the Budget Committees would report budget resolutions by November 30, and then wait for a revised President's budget on January 15. The budget resolution would be completed by March 31. The rest of the period until September 25 would be devoted to passing spending bills and reconciliation. If H.R. 22 were passed, it would become effective with the 101st Congress. The bill as drafted neglects to allow for a transition year in 1989 for the fiscal year 1990 budget.

Biennial Budgeting Timetables

Though this paper is not a detailed review of the specifics of the biennial bills, this section discusses a few issues regarding the feasibility of the bills' timetables.

H.R. 22. This bill would ask that the President's budget be submitted on January 15, but committee Views and Estimates reports would not be due until October 31. The CBO report would be released on November 10 and the budget resolution reported by November 30. The President would then release his revised budget for the upcoming biennium on January 15.

This schedule would seem to encourage reestimates during preparation of the budget resolution. The views and estimates reports would be based on a President's budget submitted nine months earlier and would not benefit from the CBO report, which would be released 10 days later. The budget resolution would be reported but not passed before the President's revised budget was submitted. The revisions in the budget would probably require the Budget Committees to revise their reported resolutions. In contrast to this long period for preparing the budget resolution, H.R. 22 allows only 15 days from the adoption of the budget resolution to the date that appropriation bills are supposed to be reported.

S. 286. This bill establishes long periods between each target date. The CBO, for example, is given three months to produce its report after the President's budget is submitted. The major timing issue presented by this bill relates to enforcement. The bill repeals many of the enforcement procedures that were formally adopted by the Congress in the Balanced Budget Act. It returns to the original process in which the first budget resolution would not be binding and the second resolution would be completed after spending bills were passed. Reconciliation would follow the second resolution in the two months (August and September) before the beginning of the biennium. The Congress had difficulty under this procedure enforcing the deficit reductions planned in the first resolution. That the Congress could do any better using the same procedure, but over a two-year period, is not self-evident.

S. 416. Like H.R. 22, this bill allows a short period from passage of the budget resolution to reporting of appropriation bills. It is even more optimistic in expecting that appropriation bills could be completed after 15 days in the House.

None of the bills include in their model timetables a period for consideration of supplemental appropriation bills or rescission requests. Both H.R. 22 and S. 286 allow a simple waiver of the deadline for reporting appropriation bills.

CHAPTER III. STATE AND INTERNATIONAL EXPERIENCES WITH BIENNIAL BUDGETING

Arguments for and against federal biennial budgeting often proceed by analogy with budgeting in the states. This is particularly true in the Congress because many Members and Senators have had experience as state legislators or governors and would like to try at the federal level the procedures that they became familiar with at home. International experiences with biennial budgeting are less frequently invoked, primarily because it is rarely used in democratic countries. Multiyear planning, on the other hand, has gained momentum gradually.

The States

A recent survey by the National Conference of State Legislatures (NCSL) concluded that 31 states will adopt annual budgets in 1987, and 19 states will adopt or be operating under biennial budgets (see Table 2). 1/ NCSL's definition of biennial budgeting requires that appropriations be provided for two years, either as separate appropriations for each of the two years (as is done by 14 states) or as a single appropriation (five states). A state is not classified as biennial if the governor proposes a biennial budget but the legislature appropriates for only one year. Florida has followed this practice in recent years.

Other aspects of NCSL's basic categorization may result in an overestimate of the prevalence of biennial budgeting. In 11 of the biennial states--all but one of the biennial states with annual sessions--the NCSL found that major annual reviews of the biennial budget are anticipated by provisions of the states' constitutions or are traditionally performed. In Ohio, for example, a committee of the legislature has made extensive modifications to the enacted budget during the off-year. In some of the states whose constitutions do not anticipate revisions or where annual reviews have not traditionally been made, fiscal crises have led to amendments of biennial budgets. Texas is one example.

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1. Sources on biennial budgeting in the states are Barbara Yondorf, "Annual Versus Biennial Budgeting: The Arguments, The Evidence," (National Conference of State Legislatures, January 26, 1987); Charles W. Wiggins and Keith E. Hamm, "Annual Versus Biennial Budgeting?" (Texas A&M University, August 1984); and General Accounting Office, "Current Status and Recent Trends of State Biennial and Annual Budgeting" (July 15, 1987), "Biennial Budgeting: Summary of the Major Issues" (April 17, 1984), and "Biennial Budgeting: The State Examples" (December 23, 1982).

TABLE 2. FREQUENCY OF BUDGETING IN STATES

State	Frequency	Changes in Frequency a/	Biennial States Only	
			Revisions Possible	Availability of Appropriations
Alabama	Annual	A'76		
Alaska	Annual			
Arizona	Annual			
Arkansas	Biennial		No	One Year
California	Annual			
Colorado	Annual			
Connecticut	Annual	A'71		
Delaware	Annual			
Florida	Annual			
Georgia	Annual	A'74		
Hawaii	Biennial	B'71	Yes	One Year
Idaho	Annual			
Illinois	Annual			
Indiana	Biennial	A'75; B'78	Yes	One Year
Iowa	Annual	A'75; B'79; A'83		
Kansas	Annual			
Kentucky	Biennial		No	One Year
Louisiana	Annual			
Maine	Biennial		Yes	One Year
Maryland	Annual			
Massachusetts	Annual			
Michigan	Annual			
Minnesota	Biennial	A'73; B'75	Yes	One Year
Mississippi	Annual			
Missouri	Annual	A'72		
Montana	Biennial		No	One Year
Nebraska	Biennial	A'72; B'87	Yes	One Year
Nevada	Biennial		No	One Year
New Hampshire	Biennial		No	One Year
New Jersey	Annual			
New Mexico	Annual			
New York	Annual			
North Carolina	Biennial	A'73; B'75	Yes	Two Year
North Dakota	Biennial		No	Two Year

(continued)

TABLE 2. (Continued)

State	Frequency	Changes in Frequency	Biennial States Only: Revisions Possible	Biennial States Only: Availability of Appropriations
Ohio	Biennial		Yes	One Year
Oklahoma	Annual			
Oregon	Biennial		No	Two Year
Pennsylvania	Annual			
Rhode Island	Annual			
South Carolina	Annual			
South Dakota	Annual			
Tennessee	Annual	A '70		
Texas	Biennial		No	One Year
Utah	Annual			
Vermont	Annual	A '78		
Virginia	Biennial		Yes	One Year
Washington	Biennial		Yes	Two Year
West Virginia	Annual			
Wisconsin	Biennial		Yes	One Year
Wyoming	Biennial		Yes	Two Year

SOURCE: Barbara Yondorf, "Annual Versus Biennal Budgeting: The Arguments, the Evidence" (National Conference of State Legislatures, January 26, 1987).

a. "A" signifies a change from biennal to annual; "B" signifies a change from annual to biennial.

The states have moved away from biennial budgeting in the past 40 years; 44 states followed the practice in 1940. The "Changes in Frequency" column in Table 2 shows the states that have shifted to annual or biennial budgeting since 1970. One reason for the movement away from biennial budgeting was the professionalization of state legislatures, which accelerated in the 1960s and 1970s. With larger and more competent staffs and with annual rather than biennial sessions, some legislatures felt capable of reviewing budgets annually (Missouri and Connecticut are examples). The growth in federal grant revenues gave state legislatures an incentive to participate annually in the allocation of these funds. Legislatures have also temporarily used annual budgets when the governor was not a member of the majority party in the legislature, and returned to biennial budgets when partisan control became unified (Iowa and North Carolina are examples).

Another cause of the shift to annual budgets has been the increased sensitivity of state budgets to economic cycles (largely because of increased reliance on the income tax as a major revenue source), coupled with balanced budget limits. Under biennial budgeting, large unpredicted shortfalls in revenues as well as smaller unpredicted increases in outlays for uncontrollable benefit programs have often created deficits in state budgets. When states had insufficient cash reserves to finance these deficits, they had to revise their budgets during the biennium to meet their balanced budget limits. Repeated situations like this led some states to convert formally to annual budgeting, the form of budgeting they were practicing in a de facto manner (Vermont, Alabama, and Florida are examples).

The states that have converted to biennial budgeting have done so for a number of reasons. Hawaii wanted to reserve the nonbudget year for program reviews, and Nebraska returned to biennial budgeting to increase control of out-year spending. The Minnesota legislature passed an annual budget in 1974, but a citizen referendum required a return to biennial budgeting.

Other Countries

The experiences of other countries contrast markedly with those of the states. 2/ Budgeting has been an annual process in almost all of the countries of the noncommunist world. Among Western European democracies, only Spain has a history of biennial budgeting. The practice was dropped there in the early 1970s before the end of the Franco regime. Some developing countries with Spanish heritages, such as Peru, have also budgeted biennially in the past, and Bahrain currently has a biennial budget.

The prevalence of annual budgeting in other democratic countries is partially explained by their constitutional structures. Many democratic countries have parliamentary structures in which the political executive is drawn from the legislature. This executive is given the primary responsibility for developing the government's budget as well as managing it. The budget is used as a method of setting forth the government's program and as a test of the government's support. It is usually ratified by the parliament with few changes. When the governing majority in parliament is unstable, however, the budget vote may also provoke a parliamentary crisis by which the government may fall. In these countries, the annual opportunity to test the support for the government is widely thought to be a condition for democratic government.

This purpose of the budget is not important in nondemocratic countries. These countries tend to have more centrally planned economies and would be more likely to use biennial budgeting. Yet nondemocratic countries also tend to be underdeveloped and undiversified; their economies are subject to great variations in economic conditions. The resulting swings in the finances of the governments of developing countries have been frequent, necessitating annual revisions of long-term plans. The International Monetary Fund recommends that developing countries have annual budgeting processes in order to cope with these uncertainties.

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2. Comprehensive information on international budgetary practices has not been compiled. The information in this section was drawn from various articles in *Public Budgeting and Finance* from 1982 to the present; from discussions with country specialists at the State Department, the Federal Reserve, and the International Monetary Fund; and from A. Premchand, *Government Budgeting and Expenditure Controls* (Washington, D.C.: International Monetary Fund, 1983), pp. 137-143.

Though few countries have attempted biennial budgeting, many have expanded the time horizon of budget planning estimates. This move to multiyear planning has been gradual, gaining momentum after the first oil price shock in 1973. Support for multiyear planning has been based largely on the realization that a sizable portion of budgets are transfer payments, and that these payments are long-term budget commitments that erode the annual flexibility of the budget. Multiyear planning estimates have been seen as a useful informational method of controlling these commitments.

Conclusion

If the United States were to adopt biennial budgeting, it would be the only democratic country to follow this practice. The international preference for annual budgeting does not necessarily indicate that biennial budgeting would not work for the U.S. government, however. Because of the unique constitutional structure and experimental political culture of the United States, the experiences of other countries are not directly relevant.

Comparisons to the experiences of states may be more relevant, as the states share the nation's political culture. Most comparisons between state and federal governments would lead one to make negative inferences about the prospects of biennial budgeting. Economic uncertainty and divided partisan control--factors that have caused many states to drop biennial budgeting--are also present at the federal level. In addition, the special characteristics of the federal government may make annual budgeting preferable. The Congress has a greater constitutional responsibility for developing budgets than most state legislatures, and the federal government has a larger and more complicated budget and a different economic role than the states. Only three of the ten largest states use biennial budgeting--North Carolina, Ohio, and Texas--and states that use biennial budgeting are on average smaller in population than those that use annual budgeting. 3/

Yet 19 states continue to budget biennially, which suggests that biennial budgeting can work if certain conditions are present. Unfortunately, studies of state experiences with biennial budgeting have

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3. The mean population difference is 1.4 million, compared with a mean state population of 4.8 million. The median population difference is 0.6 million, compared with a median state population of 3.3 million. Figures are based on 1985 U.S. Census data.

not clearly identified these conditions. Such studies have typically consisted of surveys of state officials about the advantages and disadvantages of biennial and annual budgeting. Not surprisingly, officials tend to prefer current processes.

CHAPTER IV. POTENTIAL EFFECTS OF CONVERTING TO BIENNIAL BUDGETING

What is the optimal period for a budget process? In a search for the optimal period, it is easier to find losing candidates than to agree on the winner. A short period--a monthly budget process, for example--would create continuous uncertainty about government policies. Monthly budget votes would be repetitive, and would leave no time to plan or to conduct oversight. In contrast, a longer period--a five-year budget process, for example--would reduce this work load. But unanticipated events and shifts in political priorities would occur frequently during the five years, making the budget obsolete and creating pressure for revisions.

Between the inflexibility of a five-year budget and the inefficient uncertainty of a monthly budget lie annual and biennial budgeting. Proponents of biennial budgeting say that annual budgeting is nearly as unworkable as the hypothetical process of monthly budgeting. They claim that the present process features repetitive votes on the same subject, both within the year and from one year to another. Repetitive votes cause delays in making budgetary decisions that must be made, such as appropriation bills, and also crowd out other activities, such as conducting oversight and considering authorization bills.

Given these problems, proponents offer biennial budgeting as a solution. They believe that recipients of grants will be able to spend funds more efficiently with the extra year of notice made available by a biennial budget. Management of agencies is also projected to benefit, as agencies would have to prepare and defend a budget only once every two years. Agencies might also be able to purchase some goods and services at lower costs, because they could buy in larger batches and offer longer-term contracts than annual budgeting permits.

Flexibility is the base of annual budgeting's support. Annual budgeting allows quick responses to changed economic conditions, to new policy goals, to shifts in public opinion, and to election results. The Congress has also found it to be useful for monitoring and influencing the Executive Branch.

If shifting to a biennial budget schedule would gain some certainty at the cost of some flexibility, how large is this tradeoff likely to be? This chapter provides some tentative answers to this question, and describes other tradeoffs associated with a conversion to biennial budgeting. The analytical method is to posit four widely held goals for the budget process. These goals are:

- Allocating time efficiently to different activities, such as planning, budgeting, and conducting oversight;
- Completing preparation of the budget by the target date;
- Being appropriately responsive to changed conditions;
- Maintaining the proper influence of the Congress on policy.

The chapter analyzes how lengthening the period of budget preparation might affect the attainment of these goals.

Allocate Time Efficiently to Different Activities

The Congress essentially undertakes three types of activities in the budget process--it gathers information about the problems the country is facing and authorizes programs to address these problems, it allocates funds to these programs, and it monitors the Executive Branch's implementation of its policy decisions. These activities often overlap; the Congress, for example, may learn about problems and the implementation of previous decisions as it considers appropriation requests.

How would the shift to a biennial schedule affect the performance of these activities? Proponents of biennial budgeting hope that some of the time now spent on budget formulation could be freed for oversight, authorizations, and district visits. This change in the mix of Members' activities could improve the quality of their work.

A distinction between biennial budgeting bills is helpful at this point. Both H.R. 22 and S. 416 would have the Congress schedule budgetary and nonbudgetary activities in different periods--an approach referred to here as the "split-sessions" approach. ("Nonbudgetary" in this context includes bills that authorize new budget authority.) S. 286 would have the Congress formulate a two-year budget over a two-year period, allowing nonbudgetary and budgetary activities to be interspersed during this time--referred to here as the "stretch" approach.

The split-sessions approach assumes that the Congress would postpone budgetary action on issues new to its agenda such as drug abuse or the plight of the homeless if these issues arose during a nonbudgetary year. One supplemental appropriation bill would be expected in the nonbudgetary year, but it would be used only to provide appropriations for true emergencies. The split-sessions model similarly expects that the Congress would not conduct oversight during a budget

year, though exceptions could be made for major scandals or controversies.

This approach might not succeed unless the Congress were to revise significantly its rules of procedure. The current rules would not provide a formal means of limiting consideration of spending bills during nonbudgetary periods, and in the absence of such rules, there would be frequent attempts to amend the budget during nonbudgetary periods. Such limiting rules could take various forms, including not allowing the Congress to consider budgetary matters during non-budgetary periods unless the President requested such action, rejected to be in deficit, or limiting supplemental appropriations to project-specific deficiency appropriations or to cases in which statutorily defined "emergency" conditions have been met. 1/

Implementing limiting rules, such as defining "true" emergencies ahead of time, would be difficult. The split- sessions bills do not propose any such rules, and few of the states with biennial budgets and annual sessions have them. Some states that do not revise the budget during the off-year have relied instead on self-restraint, particularly when the nonbudgetary period immediately precedes an election. Others have been lucky, not being presented with unforeseen revenue losses that would have caused balanced budget requirements to be violated.

Split sessions imply substantial modifications to committee activities as well. The current committee structure gives specialized roles to various committees. The Budget Committees spend most of their time preparing and adopting the budget, and relatively little in monitoring spending by the agencies. The Appropriations Committees monitor spending, but almost always in the context of appropriating more funds. The House Government Operations and Senate Governmental Affairs Committees and the subcommittees of many other standing committees specialize in oversight. Unless these committees' responsibilities are changed, the Budget and Appropriations Committees are expected to be inactive during the nonbudgetary periods, as are the oversight committees during budgetary periods.

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1. Similar rules might profitably be applied to supplementals and rescissions under annual budgeting. Pay raises, now provided in supplemental bills, could easily be incorporated into the regular appropriation bills. Section 207 of the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 prohibited the President from repeatedly proposing similar rescission requests.

These potential changes in rules and committee activities heighten the importance of determining whether the process of making budgetary allocations has in fact crowded out authorizing legislation and oversight. The relationship between the budget process and the frequency of authorizing legislation is discussed in the last section. Regarding oversight, research by Joel Aberbach suggests that oversight has not been discouraged by the Congressional budget process. Aberbach compiled data for the number of total and oversight committee hearing days in the first six months of odd years from 1961 to 1983, excluding 1979. 2/ Table 3 shows these data. The time-series shows a sharp increase in the proportion of days devoted to oversight from 1973 to 1975, and another sharp increase from 1981 to 1983. In 1983, a full quarter of hearing days were for oversight, more than double the proportion in 1973. Aberbach concludes that this growth in oversight activities is the result of a variety of factors: budget deficits, public discontent with government performance, Congressional concern about the usurpation of leg- islative powers by the Executive Branch, and the availability of more Congressional staff to carry out oversight.3/

Aberbach counted as oversight hearings only those in which the "review of administrative actions" was the main activity. Reauthorization hearings were excluded. Many advocates of biennial budgeting, however, define oversight much more broadly. Under H.R. 22, for example, the "oversight period" during the first six months of a Congress would be devoted to reviewing policy goals and results. All the bills would have the Congress establish policy and program goals in advance authorizing legislation before the budget is considered.

A period set aside for taking stock and planning could be helpful for the Congress, which often focuses much of its energy on the issue of the moment. Similarly, advance authorizations might produce more informed appropriation decisions. These types of scheduling reforms view the Congress as an institution that could follow a very structured process for solving problems. But the role of the Congress as a sounding board for the public's interests may make a structured schedule unattainable.

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2. Joel D. Aberbach, *Keeping a Watchful Eye: The Politics of Congressional Oversight* (Washington, D.C.: Brookings Institution, forthcoming.)

3. See also Joel D. Aberbach, "The Congressional Committee Intelligence System: Information, Oversight, and Change," *Congress and the Presidency*, vol. 14 (Spring 1987), pp. 51-76. Another useful source on oversight is the *Congressional Oversight Manual*, prepared by the Congressional Research Service, February 1984.

TABLE 3. HEARING AND MEETING ACTIVITIES OF CONGRESSIONAL COMMITTEES, JANUARY 1-JULY 4

Year	Total Days	Oversight Days	Oversight as Percent of Total
1961	1,789	146	8.2
1963	1,820	159	8.7
1965	2,055	141	6.9
1967	1,797	171	9.5
1969	1,804	217	12.0
1971	2,063	187	9.1
1973	2,513	290	11.5
1975	2,552	459	18.0
1977	3,053	537	17.6
1981	2,222	434	19.5
1983	2,331	587	25.2

SOURCE: Joel D. Aberbach, *Keeping a Watchful Eye: The Politics of Congressional Oversight* (Washington, D.C.: Brookings Institution, forthcoming). Data for 1981 and 1983 are subject to final revision.

NOTE: Activities of Appropriations, Rules, Administration, and Joint Committees have been excluded. Data for 1979, 1985, and 1987 are currently being coded.

Complete Preparation of the Budget by the Target Date

The stretch model would spread budget formulation over a two-year period, giving more time for each stage to be completed. This approach assumes that target dates are missed because there is not enough time between each date--for example, when the budget resolution is late, this leads to unpassed appropriation bills and a continuing resolution. Preparing a budget over two years could allow more time for consultation, and make it more likely that decisions would be made on time.

Though the current schedule may be a cause of the time-consuming and repetitive nature of the budget process, other factors are probably even more important. One structural barrier to quick and binding decisions is the bicameral requirement that the House and Senate agree on all laws. Another is the separation of powers. Some missed target dates and repetitive votes clearly can be attributed to the difficulty of reaching a compromise between the strongly held positions of the President and the Congress. Biennial budgeting is not likely to facilitate such a compromise. Instead, it might increase the difficulty of reaching a compromise if agreements had to be negotiated for two years rather than for one. With the stakes higher, a two-year budget negotiation might take longer than two separate one-year negotiations. To repeat an observation made above, some states have found annual budgeting more useful than their traditional biennial practices during periods of divided partisan control.

Other causes of repetition and delay may be more subject to change. The Congress is a legislature, to which each Member comes with one vote and a presumptive equal say in decisions. A natural result is that the Congress uses a decentralized form of internal organization, distributing decisionmaking powers widely among its members. It does this in several ways. It divides its responsibilities among authorizing committees and appropriations committees, and these committees make similar types of decisions. The Congress also follows a very complicated budget process that is intended to control the decisions made in the authorization and appropriation processes. Delay and repetition might be reduced by adopting another form of internal organization and another budgeting procedure. In other words, in contrast to biennial budgeting, which would have the Congress prepare fewer budgets, the Congress might make fewer decisions during budget preparation.

The "fewer decisions" aproach is embodied in a number of reform proposals, two of which will be described here generally. Both reforms would centralize power over budgetary decisions. In one approach, the

Congress would combine the appropriations and authorizations committees and processes. In another, the Congress would adopt an omnibus budget procedure that would combine the aggregate budget resolution, appropriation bills, and reconciliation into a single bill.

Combined Authorizations and Appropriations Committees. A widespread belief is that the appropriations and authorizing committees should have separate and different roles. The authorizing committees are supposed to make substantive policy by establishing goals and designing programs, and the appropriations committees are supposed to make line-item reviews of agency budgets and then provide appropriations. House and Senate rules establish various points of order to encourage the separation of these activities.

In practice, there has been and is a great deal of blurring of the appropriation and authorization processes. 4/ Both processes currently are used to set policy and allocate funds. Policy is set in appropriation bills through riders. Such "legislative" language in appropriation bills is technically subject to a point of order, but this obstacle is often overcome through waivers or by placing legislative language in continuing resolutions to which the point of order does not apply. Authorizing bills provide permanent appropriations and other forms of "backdoor" spending. In addition, authorizing bills often set line-item floors and ceilings on the amounts that may be appropriated. 5/

It is quite difficult to measure the extent to which the appropriation bills "make policy" and the authorization bills allocate funds. One method is to compare the forms of decisions made during the two processes. These forms are quite similar in the defense area. Annual authorizations and appropriations are routinely enacted for defense programs, and the committees make decisions using the same account

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4. Discussions of the historical relationships between the authorization and appropriation processes are available in Allen Schick, "Legislation, Appropriations, and Budgets: The Development of Spending Decision-Making in Congress" (Congressional Research Service, May 1984); Louis Fisher, "The Authorization-Appropriations Process: Formal Rules and Informal Practices" (Congressional Research Service, August 1, 1979); and W. Thomas Wander, "Patterns of Change in the Congressional Budget Process, 1865-1974," *Congress and the Presidency*, vol. 9 (Autumn 1982), pp. 23-49.

5. That many authorizations are budgetary in nature suggests that enacting advance authorizations would not limit off-year activities to nonbudgetary ones. On the various approaches to multiyear and advance authorizations, see Stanley I. Bach, "Approaches to the Issue of Unauthorized Appropriations" (Congressional Research Service, July 31, 1978).

and program structure. In contrast, the forms of nondefense authorization and appropriation decisions are often dissimilar. Most authorizations for nondefense discretionary appropriations are enacted for multiyear periods or are permanent, and the line-item units of authorizations often do not directly correspond to the lump-sum appropriation account structure. An initial conclusion, then, is that the overlap between appropriations and authorizations is probably greatest in the defense area.

Advocates of consolidation argue, however, that the similarity of the forms of outcomes or of the outcomes themselves is not that important. In theory, the Congress relies on committees to reap the advantages of specialization--expertise and an efficient division of labor. These advantages are not fully realized when two committees are established to deal with the same topic and when their bills are considered separately. When the two committees agree on policy goals, there would seem to be no benefit from first considering the authorization bill and then considering the appropriation bill. This duplication is simply a waste of time if similar amendments to each bill can be proposed from the floor. When the two committees disagree over policy, the case against duplication is still strong, if the bills can be freely amended on the floor. In this case, duplication encourages conflict, which slows up the process. Those who find the current degree of overlap to be large and unnecessary suggest that consolidation of the appropriations and authorizations committees and processes is an obvious way of increasing decisionmaking efficiency. 6/

The opposing view accepts "duplication," to the extent that it is admitted to exist, as beneficial. Redundancy of processes is useful, it is said, to reverse policy direction when conditions unexpectedly change, to reconsider a close division on a controversial issue, or to hold the Executive Branch to a bargain. Furthermore, supporters of the status quo claim that the different forms of appropriation and authorization decisions indicate that the two processes do not substantially overlap. They believe that the two types of committees bring different per-

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6. The Congress has infrequently adopted major committee reforms to reduce overlaps. Landmark reforms were the Legislative Reorganization Act of 1946 and the Senate's acceptance in 1977 of the recommendations of the Stevenson Committee (the Temporary Select Committee to Study the Senate Committee System). In the 100th Congress, S. Res. 260, introduced by Senators Kassebaum and Inouye, would combine the appropriation and authorization processes. It would abolish the Senate Budget Committee and transfer its responsibilities to a "Committee on National Priorities," which would be constituted as a supercommittee of committee leaders.

spectives and skills to their tasks, and that the resulting competition among committees produces better outcomes. Finally, committee memberships, leadership positions, and staffs are valuable assets to Members, as are committee jobs to staffers. Any reform plan would have to promise substantial benefits to offset the costs of lost committee seniority and other assets. 7/

An Omnibus Budget Procedure. The other approach to making fewer decisions within the budget process is the omnibus budget procedure (also known as the Obey plan, after its main sponsor, Congressman Obey). In this procedure, the House Budget Committee would report a budget plan by April 15. This plan would serve as a guide for committee actions, but it would not be debated and voted on the floor. The committees would report separate bills for appropriations, revenues, and direct spending programs, and these bills would be packaged into an omnibus bill by the House Rules Committee. The bill would then be considered on the floor, and the House Budget Committee could offer privileged amendments to the titles of the omnibus bill that exceeded the targets in the budget plan. 8/

The essence of the omnibus reform is that there would be no vote on the House Budget Committee's plan. Because the current budget resolution is only a guideline for further action, the Congress sometimes considers the same issues twice--once during preparation of the budget resolution, and again when the actual budget is passed. (The debate may actually occur three times for programs being authorized in that year.) The votes on programmatic issues in the budget resolution are said to delay its adoption as well as slow consideration of appropriation bills. The omnibus reformers would have the Congress discard point of order and reconciliation enforcement procedures and vote only on actual budget allocations.

Opponents of the omnibus procedure suggest that it would not be workable. Spending committees would probably not feel bound to stay within the Budget Committee's plan unless the committees had en-

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7. Useful sources on committee reform are Roger H. Davidson and Walter J. Oleszek, *Congress Against Itself* (Bloomington, Indiana: Indiana University Press, 1977); and Congressional Quarterly Inc., "The Committee System," *Guide to the Congress*, 3rd ed. (Washington, D.C.: CQ Press, 1982), particularly pp. 466-476.

8. A useful analysis of omnibus budgeting is provided by Allen Schick, "The Whole and the Parts: Piecemeal and Integrated Approaches to Congressional Budgeting," House Budget Committee, Serial CP-3 (February 1987).

dorsed it with a floor vote. Because the omnibus bill would be "must" legislation, it likely would attract many unrelated amendments. Some believe that it would be difficult to construct a majority for an omnibus bill because of objectionable provisions; others fear that logrolling would increase the totals of the omnibus bill.

Many Members and the President complain about the current reliance on the similar continuing resolution procedure. Besides the costs of brinksmanship, the difficulty of understanding and amending continuing resolutions disturbs those who are not members of the Appropriations Committees. From President Reagan's perspective, omnibus bills make it more difficult to exercise the veto and thus strengthen the need for an item veto. 9/

Regardless of whether these "fewer decision" reforms or a stretch model of biennial budgeting is adopted, delay and repetition in budgeting will not be eliminated. The famous "Parkinson's Law," which states that "Work expands to fill the time available for its completion," has a corollary: "A budget decision is not made until a deadline approaches." Delay and repetition are endemic to budgeting, because budgeting is a comprehensive process that resolves macro and micro goals into practical plans.

Even postponing the beginning of the fiscal year did not foster completing appropriation bills on time. Prior to the Congressional Budget Act, late enactment of appropriation bills was a continual problem--46 percent of regular appropriation bills was enacted after the beginning of the fiscal year from 1968 to 1973. 10/ The Congress--acting on the belief that when a deadline is routinely not met, permanently extending that deadline will solve the problem--moved the beginning of the fiscal year from July 1 to October 1. Yet, appropriation bills are still not completed by the beginning of the fiscal year.

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9. As evidence that an omnibus procedure would not work, opponents point to the 1950 omnibus appropriation bill. The bill was approved five weeks after the beginning of the fiscal year, but two calendar months before the passage of the last appropriation bill in the previous year. The omnibus procedure was discarded by the House and Senate Appropriations Committees the next year, in part because of opposition from the House leadership. See Dalmas H. Nelson, "The Omnibus Appropriations Act of 1950," *The Journal of Politics* vol 15 (May 1953), pp. 274-288; and George B. Galloway, "Consolidated Appropriation Bill," Legislative Reference Service, Library of Congress (October 15, 1953).

10. This figure was calculated from data in General Accounting Office, "Funding Gaps Jeopardize Federal Government Operations" (March 3, 1981).

Additional evidence that repetition and delay cannot be avoided is seen in the budgeting experiences of the Executive Branch. Budget iterations between the Office of Management and Budget and agencies, which are similar to what is called duplication in the Congress, are frequent. A good example in this Administration has been the continual battle over defense spending, which started each year with the planning targets and continued all the way through the Director's Review. The Executive Branch has also often found it difficult to meet the dates set out in its budget preparation schedule.

Be Appropriately Responsive to Changed Conditions

The Congress is first and foremost a political body, designed to represent the interests and desires of the public. It consequently often revises previous decisions when public opinion changes. Given this special characteristic of the Congress, determining when to revise decisions becomes a balancing act. If the Congress were to make irreversible decisions, it would be foreclosing the opportunity for the public to change its mind (as the public itself changed its composition). Yet, if it were to always allow the national mood--which is often quite variable--to be quickly expressed as policy, it would be making "decisions" that would never stick.

The Congress responds not only to changes in public opinion, but also to macroeconomic, programmatic, and other political events. Only one type of event follows a completely predictable schedule: elections. The biennial budgeting bills differ in their choice of whether the biennium should begin before or after an election. Both H.R. 22 and S. 286 schedule adoption of the budget just before an election. By placing these dates so closely together, these bills might clarify the policy choices that each party presents to the voters. On the other hand, if the electorate dislikes these choices and votes the majority party out of office, the new majority would theoretically be unable to adopt its program for two years. In the past, election results have had significant effects on budget priorities, particularly when a change in Presidential administrations occurs. It is likely, therefore, that the new majority would completely revise the recently adopted budget.

In contrast, S. 416 would have the Congress adopt a budget on a date that is roughly a year after an election and a year before an election. This schedule would allow the Congress to adopt a budget that reflected an election mandate, and permit the public to evaluate the Congress on the basis of a year's operation of this budget. But an upcoming

election, particularly one coincident with a recession, might lead the Congress to revise the budget during the nonbudget year. 11/

The timing and magnitude of other events that might lead to Congressional action are harder to predict. By expanding the length of the budget period from one to two years, projection errors are likely to increase. Larger errors will increase pressure on the Congress to take action. If the Congress responds, some of the reductions in work load expected from biennial budgeting will not be realized.

The greatest source of uncertainty in budget estimates is the inherent unpredictability of the economy. To estimate the effect of making a two-year forecast on the accuracy of budget estimates, a simulation test used in the Congressional Budget Office's August 1987 report, *The Economic and Budget Outlook: An Update*, was extended for another year. 12/ Table 4 shows the results. This test used a time-series model to forecast gross national product (GNP) for fiscal years 1988 and 1989. For 1988, simulating the time-series model 5,000 times (by introducing alternative random shocks) produced a standard deviation for GNP forecasts of $193 billion. The standard deviation is a statistical measure of the dispersion of individual forecasts around the average. It indicates that, given certain assumptions, GNP forecasts will differ from the actual GNP by less than $193 billion about 68 percent of the time. The same procedure produced a standard deviation of $226.6 billion for the fiscal year 1988-1989 biennium. These uncertainty ranges may be translated into ranges for revenue estimates by using a rule of thumb that shows that a $100 billion error in estimating the GNP will tend to result in a $23 billion error in revenues. This produces a standard deviation for revenue estimates of $44 billion for the first year and $52 billion for the biennium. Because actual CBO forecast methodologies differ from the mechanical methods used in this test, the results should be understood as illustrative of the increased

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11. On the relationship between elections and changes in budget allocations, see D. Roderick Kiewiet and Mathew D. McCubbins, "Congressional Appropriations and the Electoral Connection," *Journal of Politics*, vol. 47 (February 1985), pp. 59-82.

12. See pp. 85-86 and 94.

TABLE 4. SIMULATION OF UNCERTAINTY IN FORECASTS OF GROSS NATIONAL PRODUCT AND REVENUES FOR FISCAL YEARS 1988 AND 1989 (All figures in billions of current dollars, except CV)

Fiscal Year	Gross National Product		Revenues	
	Mean	Standard Deviation	Standard Deviation	Coefficient of Variation (CV) a/
1988	4,759.5	192.6	44.3	1.79
1989	5,093.3	275.3	63.3	3.42
Two-Year Average	4,926.4	226.6	52.1	2.40

SOURCE: Congressional Budget Office calculations based on data in CBO, *The Economic and Budget Outlook: An Update* (August 1987), and on CBO simulations of a time-series model for forecasting GNP for fiscal years 1988 and 1989.

NOTE: The correlation between fiscal years 1988 and 1989 is 0.87.

a. The coefficient of variation (CV) is the variance of revenues divided by the mean of revenues. The CV is a scale-free number.

uncertainty in GNP forecasts under biennial budgeting, not as a prediction of CBO's likely performance. 13/

The likely change in projection errors for individual programs is much harder to predict. 14/ Some out-year budget projections for programs could become more realistic under biennial budgeting. Some agency budget estimates currently are too low, apparently because the agencies believe that it would be politically unwise to show the likely long-run costs of programs. In other cases, agency estimates are too high, sometimes to prompt agency contract officers to speed up operations. The incentives to make such misestimates would probably be reduced if appropriations were routinely made for two years. In addition,

13. See also David C. Grinnel, "Implications of Uncertainty in Economic Forecasting Under Gramm-Rudman-Hollings: Options for Congressional Response," (Congressional Research Service, August 8, 1986).

14. Policy changes in the budget year distort the previous year's out-year baseline estimates for programs, making an estimate of the change in technical projection errors unreliable.

program characteristics would allow some projection errors to cancel out in two years that would not in one year. Spendout rates for procurement programs could exhibit this effect. For other programs, including many entitlement programs, errors would tend to cumulate.

Increased errors in budget projections would have several effects. At the macro level, it would make it harder to hit a planned deficit target and would give the appearance of losing control over fiscal policy. But part of the reason for missing deficit targets is the feedback of the economy on the deficit, causing the deficit to rise when the economy underperforms. From this perspective, unexpected changes in the economy that produce shifts in deficit projections should not lead to Congressional responses, making the increased uncertainty associated with biennial budgeting less of a problem.

Increased errors in budget projections could be more of a problem at the micro level. Though errors caused by inaccurate assumptions tend to be partially offsetting in the aggregate, they are often large for individual programs. These errors may lead to pressure to consider supplemental appropriations or rescind funds for some activities.

Consider some of the effects of unanticipated changes in interest rates, which are among the most uncertain economic forecast variables. At the program level, a rise in interest rates deepens the subsidies granted by fixed-rate loan programs, thus increasing the demand for loans. If the Congress wanted to reduce the actual subsidies to the planned amounts, it would have to pass bills that increased the fixed rates. If the Congress had limited the programs through ceilings on spending, it would have to raise the ceiling if it wanted to provide the deeper subsidy to all applicants. A similar situation would occur for variable-rate loan programs when interest rates declined. Alternatively, the Congress could decide to accept these effects and not take any action, or it could design credit programs that automatically respond to changes in interest rates.

When prices increase unexpectedly, planned purchases of goods and services become more expensive. Under current budget procedures, increased costs would require supplementals for purchases of minimum quantities of necessary goods, such as fuel for the military. Price decreases, on the other hand, could leave agencies overfunded and able to buy more than the Congress intended, which might lead the Congress and the President to consider rescissions.

Not all accounts are sensitive to these and similar uncertainties. Many accounts are for pay and benefits and are very stable. In addi-

tion, there are a number of procedures that could allow the Congress to cope with the increased uncertainty of a two-year budget period. The Congress could decide not to respond to minor changes in economic conditions with legislation, and it could automatically adjust the budget resolution for these changes. Pro forma appropriations for appropriated entitlements (such as Medicaid) and for other programs such as the Commodity Credit Corporation could be converted into permanent appropriations. Price variability could be dealt with through new methods of contracting and budgeting for inflation. 15/ A single supplemental could be scheduled for the off-year with rules that would prevent funding for programs not previously authorized.

Other proposals for reducing uncertainty could effectively eliminate some of the potential gains from biennial budgeting. One example would be the practice of simultaneously providing two separate years of appropriations, each with one-year availability. Because the Congress could rescind the second year of funding before it would be obligated, contractors would still charge a premium to compensate for this risk. This would prevent agencies from purchasing goods and services in quantities large enough to minimize prices. 16/

Maintain the Influence of the Congress on Policy

One trade-off offered by biennial budgeting is that the Congress would replace annual appropriations with more program planning and oversight. How would this change affect the ability of the Congress to properly influence policy? Proponents of biennial budgeting claim that this change in activities would uncover problems not currently detected in appropriation reviews, allowing the Congress to address them. Opponents counter that these benefits would not offset the loss of influence that would result from forgoing the opportunity to make budget allocations annually.

This debate is not about the value of routine annual interactions between the Congress and the President, for it is generally agreed that

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15. See Congressional Budget Office, *Budgeting for Defense Inflation* (January 1986).

16. See Congressional Budget Office, *Assessing the Effectiveness of Milestone Budgeting* (July 1987), for a discussion of these and related topics.

annual interactions promote cooperation between the two branches. 17/ Cooperation has two components--trust by the Congress that the Executive Branch will implement its directives, and respect by the Executive Branch for the Congress's right to make these directives. The debate is instead about which types of annual interactions promote the most trust and respect, and thus maintain the influence of the Congress on policy.

Throughout its history, the Congress has resolved this issue by following an annual process of making allocations. One way that annual appropriations increase its leverage over the Executive Branch is in providing vehicles for policy riders. Policy riders become starting points for negotiations between the branches because of the "must-pass" character of appropriation bills--if these bills are not enacted, government agencies that lack spending authority must shut down. Even though the Congress often shares the blame for shutdowns, potential shutdowns place pressure on the Executive Branch to negotiate. In the absence of "must-pass" legislative vehicles, the Executive Branch would usually not negotiate on policy disputes to the degree that it does now. 18/

Annual appropriations also encourage the Executive Branch to implement the budget in good faith. If agency expenditures are inconsistent with Congressional intent, the Congress may then influence the Administration by withholding approval of its pending appropriation requests (though the Administration may doubt the credibility of such threats). Under the split-sessions model of biennial budgeting, the Congress would instead have to rely on oversight to monitor agency spending and to prod the Executive Branch to spend appropriated funds

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17. For a convincing presentation of the argument that cooperation is encouraged by frequent interaction, see Robert Axelrod, *The Evolution of Cooperation* (New York: Basic Books, 1984). On annuality and cooperation in budgeting, see Aaron Wildavsky, *The Politics of the Budgetary Process*, 4th ed. (Boston: Little, Brown, 1984); and Richard F. Fenno, Jr., *The Power of the Purse* (Boston: Little, Brown, 1966).

18. On the value of riders, see Roger H. Davidson, "Procedures and Politics in Congress," in Gilbert Y. Steiner, ed., *The Abortion Dispute and the American System* (Washington, D.C.: Brookings Institution, 1983), pp. 30-46, especially p. 45; and Allen Schick, "Politics through Law: Congressional Limitations on Executive Discretion," in Anthony King, *Both Ends of the Avenue* (Washington, D.C.: American Enterprise Institute, 1983), pp. 154-184, especially pp. 171-173.

properly. But oversight can be ineffective when the Administration lacks concern about violating Congressional intent. 19/

The Congress has also used annual authorizations, which often establish spending floors and ceilings in great detail, to order compliance with its goals. 20/ The rules of the Congress establish points of order against unauthorized appropriations, making authorizations priority legislation. Exceptions to these rules, however, are increasingly common. Exceptions are important because as long as appropriations are enacted, funds may be obligated by agencies, regardless of whether annual authorizations have been enacted. These exceptions and the willingness of President Reagan to veto authorizations have led to reductions in the rates of consideration and passage of annual authorizations in the 1980s, which has lessened the utility of annual authorizations for exercising Congressional influence.

The desire for flexibility is another reason for annually considering budget resolutions and making appropriations. Many consider annual budgeting to be the only responsible course of action with large deficits, because it allows recurring efforts to find political compromises on deficit reductions. The deficits have caused continued use of the reconciliation procedure to retrench spending in mandatory programs. Flexibility is also the reason why almost all salary and expense accounts are appropriated annually, even though they are the least complex and most predictable accounts of all. 21/

Proponents of biennial budgeting do not agree that these traditional methods of preserving influence and flexibility are as effective as generally thought. They argue that the Congress is organizationally limited in what it can do each year. They also note that the Congress has decided that annual allocations are unnecessary or counterproductive for many programs. The Congress does not vote annually to allocate funds to Social Security and some other entitlement programs,

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19. See James L. Sundquist, *The Decline and Resurgence of Congress* (Washington, D.C.: Brookings, 1981), chapter 11. See also Louis Fisher, *Presidential Spending Power* (Princeton: Princeton University Press, 1975); chapter 4 provides examples of reprogramming procedures that had not been honored by agencies, leading committees to restate and tighten procedures or to take punitive actions.

20. Louis Fisher, "Annual Authorizations: Durable Roadblocks to Biennial Budgeting," *Public Budgeting and Finance*, vol 3. (Spring 1983), pp. 23-40.

21. The Congress acted in 1934, 1946, 1966, 1970, and 1974 to repeal or study the repeal of permanent appropriations in order to increase flexibility. See Michael D. Margeson and James Saturno, "Congressional Approaches to Biennial Budgeting" (Congressional Research Service, July 27, 1987), p. 9.

for example, because there is a consensus that these pro- grams are long-term commitments. Nor does it vote appropriations annually to pay interest on the national debt or to fund a multiyear ship contract in annual stages. As a result of similar decisions for other pro- grams, only a fourth of appropriations have been annual appropriations of one-year availability.

Also disturbing to proponents of biennial budgeting are the costs of annual budgeting to those who carry out policies. Annual budgeting is said to encourage "micromanagement"--the assumption by the Congress of what are typically the responsibilities of program managers. Many agencies claim that line-item directives in annual appropriation and authorization bills force them to spend money inefficiently. Some hope that biennial bills would reduce the number of directives. If, however, the Congress places directives in bills because it fears that agencies will spend money inappropriately, biennial authorizations and appropriations could contain even more "micromanagement" provisions.

Statements that agency officials will save time and paperwork because they will not have to prepare and justify their budgets each year may be overly optimistic as well. One presumption of biennial budgeting is that the Congress will do more oversight. For the Congress to conduct performance reviews, those doing the performing will presumably have to respond to the requests of the Congress. Agency presentations to the Congress might well change in format, as may the officials who do presentations (line officials instead of budget officials), but agencies' work loads will probably not decline if the Congress vigorously conducts oversight.

Another purported benefit from biennial budgeting has been that it would give grantees--usually state and local governments--earlier knowledge of available funding and allow them to spend money more efficiently. Although this idea has merit, the extent of the benefit would be limited. In the first place, many grants are already predictable. Nearly two-thirds of grants are mandatory, and most mandatory grants are allocated by formulas. An additional 6 percent of grants, in the education area, are forward funded. Forward funding allows an agency to make grants in one fiscal year for the succeeding fiscal year. 22/ To the extent that reconciliation or rescissions do not change these budgeted amounts, grantees already know with some

22. A number of other grant programs in the education area are authorized to receive advance appropriations, but these appropriations have not been provided.

certainty the funds that they will receive. For the remaining grants, the benefit of earlier knowledge from biennial budgeting would apply to only the second year of the biennium, because the grants for the first year of the biennium would be made shortly after the adoption of the budget. 23/

Thus, though the efficiency of budgeting would not increase dramatically under a biennial format, some improvement is likely. This biennial approach could be enhanced by a budgetwide reexamination of the periodicity of budget reviews at the program and project level. Programs that are funded by annual, one-year availability appropriations have traditionally borne the brunt of budget reductions, a tradition that was carried on by the Balanced Budget Act's sequester procedures. Agencies often claim that reductions in these appropriations are of the penny-wise, pound-foolish variety. They commonly cite their failure to make needed investments because appro- priations are cut, even though the investments would reduce operating and total costs in the long run. This effect, and the more general risk of budget reductions, encourages agencies to convert their programs into the form of mandatory spending. In the long run, this locks in spending and leads to less flexibility in the total budget.

An alternative means of increased flexibility would be to strengthen controls on mandatory spending, which would require improved recognition of the full costs of potential multiyear commitments when considering whether to enter into them. It would also require that mandatory spending be reauthorized periodically and subjected to a tough reconciliation procedure. Biennial budgeting might contribute to this approach by shifting the perspective from one year to two, thereby reducing the fixation on one-year spending cuts and making false savings from effective date changes less attractive. With the resulting increase in flexibility in these accounts, the selective bien-

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23. Section 502(c) of the Congressional Budget Act mandated two reports on advance budgeting, published as Congressional Budget Office, "Advance Budgeting: A Report to the Congress" (March 1977); and Office of Management and Budget, "A Study of the Advisability of Submitting the President's Budget and Enacting Budget Authority in Advance of the Current Timetable" (1977). The CBO report cautiously supported reauthorization of grant programs a year before the expiration of the existing autohrization. The report also outlined a process for considering which programs could be appropriated on a two-year schedule. The OMB report concluded that advance funding would cause too great a loss of flexibility in the budget year, and proposed the alternative of including in the budget "target amounts" of planned grant appropriations for two out-years.

nial approach suggested by the Balanced Budget Reaffirmation Act could be followed with fewer grounds for concern about the loss of flexibility. For example, multiyear authorization and appropriations could be made for stages of long-term procurements, rather than providing appropriations for variable numbers of units in each year. 24/

24. See Congressional Budget Office, *Assessing the Effectiveness*.